

THE COMMON MARKET

The Case Against Entry

The following case against Britain's entry into the European Common Market has been sent to all Members of Parliament by an independent study committee consisting of a university lecturer, a chartered accountant, a consultant psychologist, a writer on economic affairs and a business executive.

THE PURPOSE OF THIS BRIEF is to convey in outline the Free Trade case against British participation in the European Common Market.

We are aware of objections to British participation on political, social, legal, linguistic, and even on religious grounds, but although we may have reservations on one or more of these counts, our present interest is confined to the economic arguments. As far as we are aware, little or no publicity has hitherto been given to free trade dissent on the Common Market issue; most objection on economic grounds appears to have come from various protectionist interests who have sought to focus attention on the position of specific groups of home producers (glasshouse horticulturists, for example, or even all farmers as a class) or who have pleaded the special economic interests of the Commonwealth.

We believe that a convincing case can be put against the Common Market from the standpoint of free trade. If our opposition to the European Economic Community and the Treaty of Rome brings us temporarily into alliance with some of the vested interests of protection, this is merely one of the quirks to emerge from the general confusion of argument and counter-argument surrounding this issue.

By the Treaty of Rome, of March, 1957, the six signatories undertook the progressive removal of trade barriers amongst themselves, while at the same time erecting a common tariff wall against non-members. By contrast the European Free Trade Association has already produced a very considerable freeing of trade between its seven members without requiring them to adopt a common external tariff. The difference is vital. As a member of EFTA, the United Kingdom remains free to conduct whatever trading policy it wishes towards non-member countries. In the EEC this would be totally impossible; there is no likelihood that the "Six" will consent to so fundamental a modification of the Treaty of Rome. Our country would, if it joined, be obliged to discriminate heavily against all countries outside the Common Market by adopting the external tariff. Amongst those affected would be the Commonwealth and those very countries in EFTA with whom we have only just estab-

lished free trading relations. Not all the EFTA countries would be willing, or able, to join the EEC with us.

We make the following specific points:

Food and the Cost of Living

The agricultural policy of the Six seeks to maintain high cost producers on uneconomic holdings and to subsidise them by levies on imports. As much of our food now comes to us duty free from the Commonwealth, such a shift must lead to sharply increased prices on a whole range of basic foodstuffs such as wheat, beef, lamb, bacon, butter and cheese; only fish and (at certain times of the year) fruit and vegetables are likely to show a fall in price, and even then only marginally. The cost of certain metals and paper, both important items in food packaging, will also rise. Inevitably this hits hardest at the poorer sections of the population. What effect these increases in the cost of living might have on wage demands, and consequently on industrial costs and the competitive position of our industry, is anyone's guess.

Monopoly

The external tariff wall, will as intended, severely curtail our trade with countries outside the Common Market. Many nations which used to supply us will no longer be able to do so, and will not therefore be in a position to afford to pay for goods from us. Lucrative trade with Canada, New Zealand and Australia will be diverted elsewhere, probably to the U.S.A. and Japan. In compensation we are offered a ready-made market in Europe. While this may well appeal to certain manufacturers in this country, it ought not to be viewed uncritically by the British consumer. If British producers sometimes look longingly at a securely protected market of 200,000 consumers in the Six, it is equally true that Common Market producers look to the United Kingdom to provide a further 55,000,000 captive souls for them. The dangers of monopolies, cartels or simply industrial "arrangements" and "understandings" sheltering behind the protective tariff wall ought to be obvious enough. Protection breeds monopoly, shields inefficiency and diverts scarce capital and skilled labour into what in reality are uneconomic enterprises, thus starving the truly competitive ones. The EEC anti-monopoly procedures are likely to be no more effective than our own Restrictive Practices Court and Monopolies Commission.

Balance of Payments

Much has been made of the continual deficit in this country's trade and payments balances. Joining the Common Market can in no way solve this problem and might

make it worse. The loss of international trade would affect the "invisible exports" earned from shipping, banking, and insurance; and if, as a condition of entry, we are obliged to abandon sterling as a world currency, these service exports would be hit very hard indeed.

Substituting non-sterling purchases from Europe for sterling area purchases from such Commonwealth countries as Australia and New Zealand must also worsen the payments position, and because Common Market goods would be more costly than current supplies, it is clear that our import bill would go up even though we are likely to import less overall than we do now!

Effect on Other Nations

The effect on Canada, Australia and New Zealand has already been referred to. These countries may, however, be supposed to be able to look after themselves. Much the same off-hand dismissal might apply to our EFTA partners, though this might be thought exceptionally ungrateful. Eire would be badly hit; and the poorer nations of Asia, Africa, and Central and South America would undoubtedly suffer. Many of them are newly independent territories formerly under British rule, and are still linked to London in many ways. These nations are mostly in receipt of aid in various forms, either directly from the rich donor countries, including the U.K., or indirectly through the United Nations and other world agencies. It makes no sense at all to give them this aid to develop their economies, only to erect a tariff wall in Europe in order to exclude the goods they are being helped to produce! The Common Market must indeed look to them like a rich white man's club. It follows that the newly emergent nations, being denied access for their products in the EEC will trade elsewhere, most probably with countries in the Sino-Soviet orbit.

It is also worth noting that the exclusive nature of the Common Market is delaying the loosening of the hitherto compact Eastern European bloc. Yugoslavia, be it further noted, is being driven back towards trade with the East. Lack of flexibility in economic relationships resulting from the high tariff wall is more likely than not to be accompanied by rigidity in international affairs.

The conclusion we reach is that there is no advantage to be gained from British entry into the European Common Market that could not better be won by making a move towards unilateral free trade. Such a step would also avoid the pitfalls inherent in EEC membership.

While we prefer direct action towards unilateral free trade, we can see virtue in those multi-lateral arrangements that do not involve the forced adoption of common external tariffs. Thus we should support an initiative to broaden the scope of EFTA by bringing in other countries. It might be possible to link in with certain other nascent regional groupings or with some of the groupings or with some of the Commonwealth countries. Again we might make a reciprocal arrangement with the U.S.A. to reduce tariffs, which would mean that under our obligations to GATT we would also lower them against all other countries, including the Common Market.

Any alteration of tariffs downwards must be welcome. Meanwhile, we insist that there is all the difference in the world between a free trade area which is really no more than a customs union, and free trade itself.

To enter the Common Market is to abandon finally those vestiges of our free trade policy which yet remain, and enter a full-scale protectionist bloc. Thus, one hundred and twenty years or so after the repeal of the Corn Laws, the wheel will have come full circle.

OTHERS AGAINST

(Statement by the Keep Britain Out Campaign)

THE REASONS that are commonly advanced for Britain joining the Common Market are, in truth, the very reasons why we ought to stay out. So far from assisting our competitiveness and trade expansion, joining the Common Market would, in fact, reduce them.

The vast majority of the present economic ills of this country derive from the measures taken by the inter-war Governments, which drove Britain away from the free trade foundations on which our country's prosperity was built. If Britain joins the Common Market we shall be compelled to pursue the same policy as the EEC towards the outside world. This would prevent Britain becoming a free trade country unless the other EEC countries became free trade as well. It would prevent Britain making special arrangements with outside countries (like those at present applied to the Commonwealth and EFTA) unless the EEC made similar arrangements.

The fundamental difference between the economy of Great Britain and the economies of the Common Market countries is that the Common Market countries could, if necessary, be more or less self-sufficient economically, while Britain has twice as many people as she can even feed. Not merely Britain's prosperity but Britain's very survival depends on international trade to a very much greater extent than is the case with the Common Market countries. In particular our whole economy has been geared to cheap food imports from all over the world. There has been much argument about how much more food would cost if Britain joins the Common Market, but one matter which even the most ardent Common Marketters do not dispute is that it would cost considerably more than it does today.

If the cost of food (and also the cost of raw materials) rises, then inevitably our costs of production will rise, and it will therefore be more difficult, not less, for us to sell our goods in the markets of the world.

The only possible way in which our present economic ills may be rectified is by going back to where we went wrong, by gradually removing our restrictions on imports, in order that our production be cheapened and our competitiveness restored.